

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF THORNAPPLE	County BARRY
Audit Date 3/31/04	Opinion Date 6/10/04	Date Accountant Report Submitted to State: 9/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	ZIP 49002-5599
Accountant Signature 		Date 9/23/04	

Township of Thornapple
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2004

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined balance sheet - all fund types and account groups	4
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	5
Combined statement of revenues, expenditures, and changes in fund balances - budget and actual - general and special revenue funds	6
Combined statement of revenues, expenses, and changes in retained earnings - proprietary fund type	7
Combined statement of cash flows - proprietary fund type	8
Notes to financial statements	9 - 15
SUPPLEMENTARY INFORMATION:	
Governmental fund types:	
Statement of revenues, expenditures, and changes in fund balance - budget and actual - General Fund	16 - 17
Statement of revenues, expenditures, and changes in fund balance - budget and actual - Fire Fund	18
Proprietary fund type:	
Combining balance sheet - enterprise funds	19
Combining statement of revenues, expenses, and changes in retained earnings - enterprise funds	20
Combining statement of cash flows - enterprise funds	21
Fiduciary fund type:	
Combining statement of changes in assets and liabilities - all agency funds	22
SUPPLEMENTARY DATA:	
Schedule of bond retirement and annual interest requirements	23
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	24

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Thornapple, Michigan**

We have audited the accompanying general purpose financial statements of the Township of Thornapple, Michigan, as of March 31, 2004, and for the year then ended, as listed in the contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Thornapple, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information and supplementary data, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Thornapple, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2004, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Siegfried Crandall P.C.

June 10, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Township of Thornapple
COMBINED BALANCE SHEET · all fund types and account groups
March 31, 2004

	<i>Governmental fund types</i>			
	<i>General</i>	<i>Special revenue</i>	<i>Debt service</i>	<i>Capital project</i>
ASSETS				
Cash	\$ 357,237	\$ 117,215	\$ 163,513	\$ 27,402
Investments	-	158,272	-	-
Receivables:				
Taxes	17,335	13,632	13,237	-
Accounts (net of allowance)	-	10,942	-	-
Due from other governmental units	41,434	-	-	-
Due from other funds	52,408	99,734	5,534	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
TOTAL ASSETS	<u>\$ 468,414</u>	<u>\$ 399,795</u>	<u>\$ 182,284</u>	<u>\$ 27,402</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable	\$ 5,887	\$ 2,143	\$ -	\$ 11,371
Accrued expenses	10,708	10,213	-	-
Due to other funds	62,000	29,533	-	-
Due to other governmental units	-	-	-	-
Deferred revenue	-	-	-	-
Escrow deposits	-	-	-	-
Long-term debt	-	-	-	-
Total liabilities	<u>78,595</u>	<u>41,889</u>	<u>-</u>	<u>11,371</u>
FUND EQUITY:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings	-	-	-	-
Fund balance:				
Reserved	88,996	-	182,284	-
Unreserved:				
Designated	35,160	163,908	-	-
Undesignated	265,663	193,998	-	16,031
Total fund equity	<u>389,819</u>	<u>357,906</u>	<u>182,284</u>	<u>16,031</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 468,414</u>	<u>\$ 399,795</u>	<u>\$ 182,284</u>	<u>\$ 27,402</u>

<i>Proprietary fund type</i>	<i>Fiduciary fund type</i>	<i>Account groups</i>		<i>Totals (memorandum only)</i>
<i>Enterprise</i>	<i>Agency</i>	<i>General fixed assets</i>	<i>General long- term debt</i>	
\$ 97,332	\$ 317,193	\$ -	\$ -	\$ 1,079,892
-	-	-	-	158,272
-	225,816	-	-	270,020
61,313	-	-	-	72,255
-	-	-	-	41,434
-	-	-	-	157,676
766,507	-	4,358,263	-	5,124,770
-	-	-	182,284	182,284
-	-	-	2,092,716	2,092,716
<u>\$ 925,152</u>	<u>\$ 543,009</u>	<u>\$ 4,358,263</u>	<u>\$ 2,275,000</u>	<u>\$ 9,179,319</u>
\$ 3,539	\$ 252	\$ -	\$ -	\$ 23,192
7,258	-	-	-	28,179
34,049	32,094	-	-	157,676
-	487,815	-	-	487,815
5,600	-	-	-	5,600
-	22,848	-	-	22,848
-	-	-	2,275,000	2,275,000
<u>50,446</u>	<u>543,009</u>	<u>-</u>	<u>2,275,000</u>	<u>3,000,310</u>
-	-	4,358,263	-	4,358,263
466,138	-	-	-	466,138
408,568	-	-	-	408,568
-	-	-	-	271,280
-	-	-	-	199,068
-	-	-	-	475,692
<u>874,706</u>	<u>-</u>	<u>4,358,263</u>	<u>-</u>	<u>6,179,009</u>
<u>\$ 925,152</u>	<u>\$ 543,009</u>	<u>\$ 4,358,263</u>	<u>\$ 2,275,000</u>	<u>\$ 9,179,319</u>

See notes to financial statements

Township of Thornapple**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - all governmental fund types***Year ended March 31, 2004*

	<i>General</i>	<i>Special revenue</i>	<i>Debt service</i>
REVENUES:			
Taxes	\$ 234,409	\$ 185,278	\$ 180,951
Federal grant	-	63,066	-
State grants	271,131	-	-
Charges for services	23,873	132,733	-
Interest	2,240	7,065	2,320
Other	365,236	15,920	-
	<u>896,889</u>	<u>404,062</u>	<u>183,271</u>
Total revenues			
EXPENDITURES:			
Legislative	11,605	-	-
General government	372,755	-	987
Public safety	-	406,032	-
Public works	109,479	-	-
Community and economic development	59,367	-	-
Capital outlay	79,360	341,778	-
	<u>632,566</u>	<u>747,810</u>	<u>987</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	264,323	(343,748)	182,284
OTHER FINANCING SOURCES -			
Proceeds from sale of bonds	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	264,323	(343,748)	182,284
FUND BALANCE - BEGINNING OF YEAR	<u>125,496</u>	<u>701,654</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 389,819</u>	<u>\$ 357,906</u>	<u>\$ 182,284</u>

<i>Capital project</i>	<i>Totals (memorandum only)</i>
\$ -	\$ 600,638
-	63,066
-	271,131
-	156,606
15,173	26,798
-	381,156
<u>15,173</u>	<u>1,499,395</u>
-	11,605
30,348	404,090
-	406,032
-	109,479
-	59,367
<u>2,238,018</u>	<u>2,659,156</u>
<u>2,268,366</u>	<u>3,649,729</u>
(2,253,193)	(2,150,334)
<u>2,269,224</u>	<u>2,269,224</u>
16,031	118,890
<u>-</u>	<u>827,150</u>
<u>\$ 16,031</u>	<u>\$ 946,040</u>

See notes to financial statements

Township of Thornapple**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - *general and special revenue funds****Year ended March 31, 2004*

	<i>General</i>		
	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
REVENUES:			
Taxes	\$ 242,450	\$ 234,409	\$ (8,041)
Federal grant	-	-	-
State grants	280,000	271,131	(8,869)
Charges for services	23,150	23,873	723
Interest	5,950	2,240	(3,710)
Other	2,424	365,236	362,812
Total revenues	553,974	896,889	342,915
EXPENDITURES:			
Legislative	13,210	11,605	1,605
General government	393,330	372,755	20,575
Public safety	-	-	-
Public works	120,400	109,479	10,921
Community and economic development	66,950	59,367	7,583
Capital outlay	80,720	79,360	1,360
Total expenditures	674,610	632,566	42,044
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,636)	264,323	384,959
FUND BALANCE - BEGINNING OF YEAR	125,496	125,496	-
FUND BALANCE - END OF YEAR	\$ 4,860	\$ 389,819	\$ 384,959

<i>Special revenue</i>			<i>Totals (memorandum only)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
\$ 186,000	\$ 185,278	\$ (722)	\$ 428,450	\$ 419,687	\$ (8,763)
63,066	63,066	-	63,066	63,066	-
-	-	-	280,000	271,131	(8,869)
142,145	132,733	(9,412)	165,295	156,606	(8,689)
8,000	7,065	(935)	13,950	9,305	(4,645)
2,500	15,920	13,420	4,924	381,156	376,232
<u>401,711</u>	<u>404,062</u>	<u>2,351</u>	<u>955,685</u>	<u>1,300,951</u>	<u>345,266</u>
-	-	-	13,210	11,605	1,605
-	-	-	393,330	372,755	20,575
428,976	406,032	22,944	428,976	406,032	22,944
-	-	-	120,400	109,479	10,921
-	-	-	66,950	59,367	7,583
321,266	341,778	(20,512)	401,986	421,138	(19,152)
<u>750,242</u>	<u>747,810</u>	<u>2,432</u>	<u>1,424,852</u>	<u>1,380,376</u>	<u>44,476</u>
(348,531)	(343,748)	4,783	(469,167)	(79,425)	389,742
<u>701,654</u>	<u>701,654</u>	<u>-</u>	<u>827,150</u>	<u>827,150</u>	<u>-</u>
<u>\$ 353,123</u>	<u>\$ 357,906</u>	<u>\$ 4,783</u>	<u>\$ 357,983</u>	<u>\$ 747,725</u>	<u>\$ 389,742</u>

See notes to financial statements

Township of Thornapple

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - *proprietary fund type***

Year ended March 31, 2004

OPERATING REVENUES	\$ 334,327
OPERATING EXPENSES	<u>386,347</u>
OPERATING LOSS	<u>(52,020)</u>
NONOPERATING REVENUES (EXPENSES):	
Interest revenue	1,875
Gain on sale of fixed assets	<u>1,988</u>
Total nonoperating revenues	<u>3,863</u>
NET LOSS	(48,157)
Add depreciation on fixed assets acquired by grants, externally restricted for capital acquisition and construction that reduces contributed capital	<u>12,800</u>
DECREASE IN RETAINED EARNINGS	(35,357)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>443,925</u>
RETAINED EARNINGS - END OF YEAR	<u><u>\$ 408,568</u></u>

See notes to financial statements

Township of Thornapple
COMBINED STATEMENT OF CASH FLOWS - proprietary fund type
Year ended March 31, 2004

Cash flows from operating activities:	
Receipts from customers and users	\$ 336,925
Payments to suppliers	(160,138)
Payments to employees	<u>(172,426)</u>
Net cash provided by operating activities	<u>4,361</u>
Cash flows from capital and related financing activities:	
Increase in due to other funds	25,000
Proceeds from sale of equipment	1,988
Purchase of fixed assets	<u>(49,302)</u>
Net cash used in capital and related financing activities	<u>(22,314)</u>
Cash flows from investing activities:	
Interest received	1,875
Net decrease in investments	<u>26,700</u>
Net cash provided by investing activities	<u>28,575</u>
Net increase in cash	10,622
Cash - beginning of year	<u>86,710</u>
Cash - end of year	<u><u>\$ 97,332</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (52,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	41,345
Increase in accounts receivable	(3,002)
Increase (decrease) in:	
Accounts payable	3,539
Accrued payroll	(150)
Due to other funds	9,049
Deferred revenue	<u>5,600</u>
Net cash provided by operating activities	<u><u>\$ 4,361</u></u>

See notes to financial statements

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Thornapple, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township, or primary government. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Basis of presentation:

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the separate funds and account groups, categorized, and described as follows:

(i) Governmental funds:

General Fund - this fund is used to account for all financial resources not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state distributions.

Special Revenue Fund - this fund is used to account for specific revenues, derived primarily from property taxes, that are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

Debt Service Fund - this fund is used to account for the accumulation of resources restricted for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund - this fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b) Basis of presentation (continued):

(ii) Proprietary funds:

Enterprise funds - the enterprise funds are comprised of the ambulance and sewer funds and are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(iii) Fiduciary funds:

Agency funds - these funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(iv) Account groups:

General fixed assets account group - this account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General long-term debt account group - this account group presents the balance of general obligation long-term debt, which is not recorded in proprietary funds.

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The Township has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Budgets and budgetary accounting:

The Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan. Budgets for the general and special revenue funds are adopted at the activity level and are on a basis consistent with generally accepted accounting principles.

e) Receivables:

All receivables are expected to be fully collectible as presented.

f) Fixed assets:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewer system	50 years
Vehicles and equipment	5 - 15 years

g) Property tax:

Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 as revenue of the current year.

h) Fund equity:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

i) Totals (memorandum only):

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made.

NOTE 2 - CASH AND INVESTMENTS:

Deposits and investments:

A reconciliation of cash and investments to the Township's deposits and investments, as presented in the combined balance sheet, is as follows:

Financial statements:

Cash	\$1,079,892
Investments	<u>158,272</u>
	<u>\$1,238,164</u>

Notes to the financial statements:

Cash on hand	\$ 125
Deposits with financial institutions	1,079,767
Investments	<u>158,272</u>
	<u>\$1,238,164</u>

Deposits with financial institutions:

At March 31, 2004, the Township had deposits with a carrying amount of \$1,079,767 and a bank balance of \$1,228,651. Of the bank balance \$300,000 is covered by federal depository insurance and \$928,651 is uninsured.

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2004. The Township's investments, which are category 1 investments, in the amount of \$158,272, consist of U.S. Treasury obligations that are held in the Township's name and recorded at fair value.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund receivables</u>	<u>Fund</u>	<u>Interfund payables</u>
General	\$ <u>52,408</u>	Tax	\$ 13,826
		Fire	29,533
		Ambulance	<u>9,049</u>
			<u>52,408</u>
Fire	<u>99,734</u>	General	62,000
		Ambulance	25,000
		Tax	<u>12,734</u>
			<u>99,734</u>
Debt service	<u>5,534</u>	Tax	<u>5,534</u>
	<u>\$157,676</u>		<u>\$157,676</u>

NOTE 4 - FIXED ASSETS:

The following is a schedule of changes in general fixed assets of the Township during the year ended March 31, 2004:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Land	\$ 222,750	\$ -	\$ -	\$ 222,750
Buildings	293,438	2,238,017	-	2,531,455
Equipment	<u>1,233,014</u>	<u>371,044</u>	<u>-</u>	<u>1,604,058</u>
	<u>\$1,749,202</u>	<u>\$2,609,061</u>	<u>\$ -</u>	<u>\$4,358,263</u>

A summary of proprietary fund type fixed assets at March 31, 2004, is as follows:

	<u>Enterprise funds</u>		
	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
Land	\$ 25,000	\$ -	\$ 25,000
Sewer system	-	824,898	824,898
Vehicles and equipment	<u>259,208</u>	<u>-</u>	<u>259,208</u>
	284,208	824,898	1,109,106
Less accumulated depreciation	<u>118,501</u>	<u>224,098</u>	<u>342,599</u>
Net book value	<u>\$165,707</u>	<u>\$600,800</u>	<u>\$ 766,507</u>

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM DEBT:

In April 2003, the Township issued bonds in the amount of \$2,275,000 to finance the construction of an emergency services building. The bonds are recorded in the Township's general long-term debt account group. The bonds are payable in annual installments ranging from \$75,000 to \$350,000, plus interest at 2.00% to 3.35%. The final payment on the bonds is due in November 2013.

A summary of long-term debt transactions for the year ended March 31, 2004, is as follows:

Balance - April 1, 2003	\$ -
Issuance	2,275,000
Retirements	(-)
Balance - March 31, 2004	<u>\$ 2,275,000</u>

The annual requirements to amortize all debt outstanding at March 31, 2004, including interest of \$498,136, are as follows:

2005	\$ 175,650
2006	190,600
2007	213,100
2008	259,724
2009	279,524
Thereafter	<u>1,654,538</u>
	<u>\$2,773,136</u>

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

Township of Thornapple
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - SEGMENT INFORMATION:

The Township provides ambulance and sewer services to customers that are accounted for in the enterprise funds. Segment information for the year ended March 31, 2004, is as follows:

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
Operating revenues	\$290,079	\$44,248	\$334,327
Depreciation expense	24,847	16,498	41,345
Operating loss	(36,541)	(15,479)	(52,020)
Net loss	(32,956)	(15,201)	(48,157)
Fixed asset acquisitions	49,302	-	49,302
Net working capital	78,755	29,444	108,199
Total assets	294,176	630,976	925,152
Total equity	244,462	630,244	874,706

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Fire	Capital outlay	\$321,266	\$341,778	\$ 20,512

NOTE 9 - JOINT VENTURE:

The Township is a participant in the Thornapple Parks and Recreation Commission (the Commission) along with the Village of Middleville and Thornapple Kellogg School District. The administrative board of the Commission consists of members appointed by each participating unit. The Commission was formed for the purpose of providing recreation services to the Thornapple area. The Township has no equity interest in the Commission; therefore, financial information of the Commission has not been included in the Township's general purpose financial statements.

Costs of operations and capital asset acquisitions of the Commission are supported by contributions from the Township, Village, and school district, each of which contributes one third of the Commission's budget. During the year ended March 31, 2004, the Township paid the Commission \$3,000.

SUPPLEMENTARY INFORMATION

Township of Thornapple**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - General Fund***Year ended March 31, 2004*

	<i><u>Budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance favorable (unfavorable)</u></i>
REVENUES:			
Taxes	\$ 242,450	\$ 234,409	\$ (8,041)
State grants	280,000	271,131	(8,869)
Charges for services	23,150	23,873	723
Interest	5,950	2,240	(3,710)
Other:			
Prior year expenditure reimbursement	-	339,396	339,396
Special assessments	-	25,420	25,420
Miscellaneous	<u>2,424</u>	<u>420</u>	<u>(2,004)</u>
Total revenues	<u>553,974</u>	<u>896,889</u>	<u>342,915</u>
EXPENDITURES:			
Legislative - Township Board	<u>13,210</u>	<u>11,605</u>	<u>1,605</u>
General government:			
Supervisor	40,920	40,095	825
Elections	1,050	238	812
Assessor	37,600	37,527	73
Clerk	66,390	59,487	6,903
Board of review	1,780	1,615	165
Treasurer	54,750	48,521	6,229
Depot	8,500	8,047	453
Building and grounds	12,800	11,784	1,016
Cemeteries	24,950	22,424	2,526
Administration	<u>144,590</u>	<u>143,017</u>	<u>1,573</u>
Total general government	<u>393,330</u>	<u>372,755</u>	<u>20,575</u>
Public works:			
Road maintenance	92,900	86,437	6,463
Street lighting	3,500	2,903	597
Duncan Lake improvement	<u>24,000</u>	<u>20,139</u>	<u>3,861</u>
Total public works	<u>120,400</u>	<u>109,479</u>	<u>10,921</u>
Community and economic development - Planning and zoning	<u>66,950</u>	<u>59,367</u>	<u>7,583</u>

Township of Thornapple

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - *General Fund (Continued)***

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (<i>Continued</i>):			
Capital outlay	<u>\$ 80,720</u>	<u>\$ 79,360</u>	<u>\$ 1,360</u>
Total expenditures	<u>674,610</u>	<u>632,566</u>	<u>42,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(120,636)	264,323	384,959
FUND BALANCE - BEGINNING OF YEAR	<u>125,496</u>	<u>125,496</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,860</u>	<u>\$ 389,819</u>	<u>\$ 384,959</u>

Township of Thornapple**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - Fire Fund***Year ended March 31, 2004*

	<i><u>Budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance favorable (unfavorable)</u></i>
REVENUES:			
Taxes	\$ 186,000	\$ 185,278	\$ (722)
Federal grant	63,066	63,066	-
Charges for services	142,145	132,733	(9,412)
Interest	8,000	7,065	(935)
Other	<u>2,500</u>	<u>15,920</u>	<u>13,420</u>
Total revenues	<u>401,711</u>	<u>404,062</u>	<u>2,351</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	223,860	205,382	18,478
Fringe benefits	49,100	46,558	2,542
Supplies	19,300	18,219	1,081
Professional services	13,750	13,803	(53)
Insurance	22,500	21,938	562
Utilities	12,416	14,790	(2,374)
Repairs and maintenance	80,700	81,166	(466)
Education and training	2,000	912	1,088
Miscellaneous	1,100	1,321	(221)
Flashover training	<u>4,250</u>	<u>1,943</u>	<u>2,307</u>
Total public safety	<u>428,976</u>	<u>406,032</u>	<u>22,944</u>
Capital outlay	<u>321,266</u>	<u>341,778</u>	<u>(20,512)</u>
Total expenditures	<u>750,242</u>	<u>747,810</u>	<u>2,432</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(348,531)	(343,748)	4,783
FUND BALANCE - BEGINNING OF YEAR	<u>701,654</u>	<u>701,654</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 353,123</u>	<u>\$ 357,906</u>	<u>\$ 4,783</u>

Township of Thornapple
COMBINING BALANCE SHEET - enterprise funds
March 31, 2004

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 67,964	\$ 29,368	\$ 97,332
Accounts receivable (net of allowance)	<u>60,505</u>	<u>808</u>	<u>61,313</u>
Total current assets	<u>128,469</u>	<u>30,176</u>	<u>158,645</u>
FIXED ASSETS:			
Land	25,000	-	25,000
Sewer system	-	824,898	824,898
Vehicles and equipment	<u>259,208</u>	<u>-</u>	<u>259,208</u>
	284,208	824,898	1,109,106
Less accumulated depreciation	<u>118,501</u>	<u>224,098</u>	<u>342,599</u>
Net fixed assets	<u>165,707</u>	<u>600,800</u>	<u>766,507</u>
TOTAL ASSETS	<u><u>\$ 294,176</u></u>	<u><u>\$ 630,976</u></u>	<u><u>\$ 925,152</u></u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$ 2,807	\$ 732	\$ 3,539
Accrued payroll	7,258	-	7,258
Due to other funds	34,049	-	34,049
Deferred revenue	<u>5,600</u>	<u>-</u>	<u>5,600</u>
Total liabilities	<u>49,714</u>	<u>732</u>	<u>50,446</u>
FUND EQUITY:			
Contributed capital, net of accumulated amortization	-	466,138	466,138
Retained earnings - unreserved, undesignated	<u>244,462</u>	<u>164,106</u>	<u>408,568</u>
Total fund equity	<u>244,462</u>	<u>630,244</u>	<u>874,706</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 294,176</u></u>	<u><u>\$ 630,976</u></u>	<u><u>\$ 925,152</u></u>

Township of Thornapple**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - enterprise funds**

Year ended March 31, 2004

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
OPERATING REVENUES:			
Charges for services, net of contractual adjustments	\$ 284,443	\$ 43,899	\$ 328,342
Other	5,636	349	5,985
Total operating revenues	<u>290,079</u>	<u>44,248</u>	<u>334,327</u>
OPERATING EXPENSES:			
Salaries and wages	168,280	3,996	172,276
Fringe benefits	43,941	317	44,258
Supplies	19,979	1,175	21,154
Contracted services	5,176	1,926	7,102
Repairs and maintenance	17,735	31,903	49,638
Insurance	17,979	2,508	20,487
Utilities	9,124	904	10,028
Depreciation	24,847	16,498	41,345
Bad debts	16,433	-	16,433
Miscellaneous	3,126	500	3,626
Total operating expenses	<u>326,620</u>	<u>59,727</u>	<u>386,347</u>
OPERATING LOSS	<u>(36,541)</u>	<u>(15,479)</u>	<u>(52,020)</u>
NONOPERATING REVENUES:			
Interest revenue	1,597	278	1,875
Gain on sale of fixed asset	1,988	-	1,988
Total nonoperating revenues	<u>3,585</u>	<u>278</u>	<u>3,863</u>
NET LOSS	(32,956)	(15,201)	(48,157)
Add depreciation on fixed assets acquired by grants, externally restricted for capital acquisition and construction that reduces contributed capital	<u>-</u>	<u>12,800</u>	<u>12,800</u>
DECREASE IN RETAINED EARNINGS	(32,956)	(2,401)	(35,357)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>277,418</u>	<u>166,507</u>	<u>443,925</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 244,462</u>	<u>\$ 164,106</u>	<u>\$ 408,568</u>

Township of Thornapple
COMBINING STATEMENT OF CASH FLOWS - enterprise funds
Year ended March 31, 2004

	<u>Ambulance</u>	<u>Sewer</u>	<u>Totals</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 292,791	\$ 44,134	\$ 336,925
Payments to suppliers	(121,637)	(38,501)	(160,138)
Payments to employees	(168,280)	(4,146)	(172,426)
Net cash provided by operating activities	<u>2,874</u>	<u>1,487</u>	<u>4,361</u>
Cash flows from capital and related financing activities:			
Increase in due to other funds	25,000	-	25,000
Proceeds from sale of equipment	1,988	-	1,988
Purchase of fixed assets	(49,302)	-	(49,302)
Net cash used in capital and related financing activities	<u>(22,314)</u>	<u>-</u>	<u>(22,314)</u>
Cash flows from investing activities:			
Interest received	1,597	278	1,875
Net decrease in investments	<u>26,700</u>	<u>-</u>	<u>26,700</u>
Net cash provided by investing activities	<u>28,297</u>	<u>278</u>	<u>28,575</u>
Net increase in cash	8,857	1,765	10,622
Cash - beginning of year	<u>59,107</u>	<u>27,603</u>	<u>86,710</u>
Cash - end of year	<u>\$ 67,964</u>	<u>\$ 29,368</u>	<u>\$ 97,332</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (36,541)	\$ (15,479)	\$ (52,020)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	24,847	16,498	41,345
Increase in accounts receivable	(2,888)	(114)	(3,002)
Increase (decrease) in:			
Accounts payable	2,807	732	3,539
Accrued payroll	-	(150)	(150)
Due to other funds	9,049	-	9,049
Deferred revenue	<u>5,600</u>	<u>-</u>	<u>5,600</u>
Net cash provided by operating activities	<u>\$ 2,874</u>	<u>\$ 1,487</u>	<u>\$ 4,361</u>

Township of Thornapple
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
all agency funds
Year ended March 31, 2004

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
TRUST AND AGENCY FUND				
ASSETS				
Cash	<u>\$ 20,551</u>	<u>\$ 2,297</u>	<u>\$ -</u>	<u>\$ 22,848</u>
LIABILITIES				
Escrow deposits	<u>\$ 20,551</u>	<u>\$ 2,297</u>	<u>\$ -</u>	<u>\$ 22,848</u>
TAX COLLECTION FUND				
ASSETS				
Cash	\$ 588	\$ 5,745,494	\$ 5,451,737	\$ 294,345
Taxes receivable	<u>-</u>	<u>225,816</u>	<u>-</u>	<u>225,816</u>
TOTAL ASSETS	<u>\$ 588</u>	<u>\$ 5,971,310</u>	<u>\$ 5,451,737</u>	<u>\$ 520,161</u>
LIABILITIES				
Due to other funds	\$ 588	\$ 577,696	\$ 546,190	\$ 32,094
Due to other governmental units	-	5,379,537	4,891,722	487,815
Due to others	<u>-</u>	<u>14,077</u>	<u>13,825</u>	<u>252</u>
TOTAL LIABILITIES	<u>\$ 588</u>	<u>\$ 5,971,310</u>	<u>\$ 5,451,737</u>	<u>\$ 520,161</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 21,139	\$ 5,747,791	\$ 5,451,737	\$ 317,193
Taxes receivable	<u>-</u>	<u>225,816</u>	<u>-</u>	<u>225,816</u>
TOTAL ASSETS	<u>\$ 21,139</u>	<u>\$ 5,973,607</u>	<u>\$ 5,451,737</u>	<u>\$ 543,009</u>
LIABILITIES				
Due to other funds	\$ 588	\$ 577,696	\$ 546,190	\$ 32,094
Escrow deposits	20,551	2,297	-	22,848
Due to other governmental units	-	5,379,537	4,891,722	487,815
Due to others	<u>-</u>	<u>14,077</u>	<u>13,825</u>	<u>252</u>
TOTAL LIABILITIES	<u>\$ 21,139</u>	<u>\$ 5,973,607</u>	<u>\$ 5,451,737</u>	<u>\$ 543,009</u>

SUPPLEMENTARY DATA

Township of Thornapple**SCHEDULE OF ANNUAL BOND PRINCIPAL AND INTEREST REQUIREMENTS -****\$2,275,000 2003 General Obligation Limited Tax Bonds**

March 31, 2004

<i>Fiscal period</i>	<i>Interest requirement</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>May 1</i>	<i>November 1</i>			
2005	\$ 67,100	\$ 33,550	11/01/04	\$ 75,000	\$ 175,650
2006	32,800	32,800	11/01/05	125,000	190,600
2007	31,550	31,550	11/01/06	150,000	213,100
2008	29,862	29,862	11/01/07	200,000	259,724
2009	27,262	27,262	11/01/08	225,000	279,524
2010	24,112	24,112	11/01/09	250,000	298,224
2011	20,206	20,206	11/01/10	275,000	315,412
2012	15,944	15,944	11/01/11	300,000	331,888
2013	11,144	11,144	11/01/12	325,000	347,288
2014	5,863	5,863	11/01/13	350,000	361,726
	<u>\$ 265,843</u>	<u>\$ 232,293</u>		<u>\$ 2,275,000</u>	<u>\$ 2,773,136</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL
PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Township of Thornapple

We have audited the general purpose financial statements of the Township of Thornapple, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated June 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal control over financial reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



June 10, 2004